



Alberta Prorationing System

An Assessment of the Modified Proration Plan

November 1987



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This ERCBC report is based on the advice received from the Task Force on Prorationing, including representatives from Canadian Petroleum Association (CPA), Independent Petroleum Association of Canada (IPAC), Small Explorers and Producers Association of Canada (SEPA), and Alberta Petroleum Marketing Commission (APMC). The Task Force is chaired by Mr. B. Mink, Board Member, ERCBC. Appendix I contains a list of Task Force members and consultants from the above organizations.

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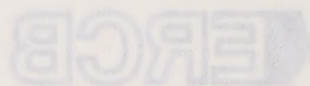
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**ENERGY RESOURCES CONSERVATION BOARD
REPORT NUMBER 87-D**



**Alberta Prototyping System
An Assessment
of the Modified Prototyping Plan**

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SUMMARY OF FINDINGS AND RECOMMENDATIONS

- The Modified Proration Plan has improved the flexibility of accessing and marketing Alberta's oil while preserving equity between producers. Therefore, the trial period ends 31 December 1987 and the Modified Proration Plan will be extended indefinitely.
- The Modified Proration Plan should continue to be monitored by Industry and the ERCB.
- The option of returning to full prorationing should be retained in the event the Modified Proration Plan does not meet producer and government requirements for equitable production. For 1988, the Basic Proration Plan in effect prior to 1 October 1985 will be retained as the alternative.
- An ongoing review of the plan should be conducted by the Prorationing Task Force. Some of the matters to be considered over the next year should include the following:
 - (a) assessment of the existing prorationing system to assure its relevance should it ever be necessary to reactivate the system (by December 1988); and
 - (b) definition of an appropriate mechanism that would identify if a return to prorationing is necessary (by March 1988).
- Efforts must continue to be made to improve the administrative system surrounding the movement of crude oil, including such items as the accuracy of producer forecasts, rateable production, and the ability of the feeder pipeline system to control the movement of crude oil.

1 BACKGROUND

The Alberta Government enacted legislation in 1950 that permitted the prorationing of crude oil production to market demand and pipeline capacity. Throughout the 1950s, 1960s, and 1970s Alberta production was prevented from reaching capacity for one or more of the following reasons:

- insufficient pipeline capacity
- productive capacity exceeding market demand
- export restrictions reducing market demand

In 1983 export restrictions relating to volume were lifted, allowing market demand to approach productive capacity and thereby minimizing shut in. In the mid-1980s, total oil production was higher than anticipated and this had a significant impact on the capability of the pipeline transportation network. Since light oil

production did not decline as rapidly as forecast and crude bitumen production was on the rise, there was greater competition for pipeline space. Prorationing did not apply to heavy oil, crude bitumen, synthetic crude oil, or pentanes plus, and therefore, the Market Demand Order (MD Order) reduced light oil production to match the requirement of the pipeline network or the market demand, whichever was smaller.

Immediately following price deregulation in June 1985, it became apparent that prorationing lacked the flexibility to allow buyers and sellers to negotiate sales directly in the open market. As a result of the above, there was very significant shut in of light oil.

In October 1985, the ERCB with advice from Industry implemented the Supplemental Oil Sales Program to provide an opportunity for producers to sell oil that would otherwise be shut in by the MD Order because of insufficient demand. The Supplemental Oil Sales Program provided producers the opportunity to sell all or a portion of their shut-in oil in peripheral markets.

The Supplemental Oil Sales Program achieved the desired result of reducing shut-in crude oil volumes but the following problems were inherent in the plan:

- it was very complex and time consuming to administer,
- it tended to create a discounted crude oil barrel,
- the system could easily be abused,
- the ERCB did not have the jurisdiction to control the destination of extra-provincial sales, resulting in some substitution of supplementary crude oil in the primary market.

The Supplemental Oil Sales Program was discontinued with the introduction of the Modified Proration Plan, effective 1 June 1987.

2 MODIFIED PRORATION PLAN

2.1 Basic Description

The Modified Proration Plan (MPP) was introduced on a trial basis effective 1 June 1987 and is described in detail in Interim Directive ID 87-1 (Appendix 2), Informational Letter IL 87-2 (Appendix 3), and Informational Letter IL 87-10 (Appendix 4) hereto attached.

The MPP was designed to allow for unfettered negotiation between producers and buyers of crude oil to be delivered under purchase contracts, with the intent that all Alberta producers at their discretion would be able to produce at least up to the levels shown in the Initial Production Order (IP Order).

Basically, the MPP operates as follows.

- (a) A predetermined initial production level of 95 000 m³/d of light-medium crude oil is allocated

each month using the principles of market sharing under the existing proration plan. All producers are notified of the production levels so determined about 6 weeks prior to the month of production to allow sufficient time for sales contracts to be arranged and pipeline space to be allocated.

- (b) All producers are expected to be able to market at least the initial production level. Available production above the initial production level but below the penalized Maximum Rate Limitation (MRL) can also be contracted at the discretion of the producer.
- (c) Producers unable to contract their initial production level can notify the Board and should be prepared to document their efforts to sell that oil.
- (d) The Board maintains the mechanics of the pre-October 1985 prorationing system for reinstatement if producers are unable to market at least the initial production level or if other significant problems result in the modified plan not functioning as designed.

Appendices 5 and 6 are ERCB Informational Letters IL 87-9 and IL 87-11, issued in August 1987, explaining revisions to the production allowable controls.

2.2 Assessment

The ERCB with advice from Industry and the APMC has been monitoring the performance of the MPP and the experience to date has been as follows.

- (a) The MPP, designed to allow for unfettered negotiation between producers and buyers of crude oil, in combination with strong demand for Canadian crude oil and adequate pipeline capacity, has resulted in the elimination of shut in during all months of the new program except June.
- (b) All parties concerned have made a great effort to respond to the requirements of the MPP.
- (c) Problems associated with optimistic production forecasts and unrateable production have resulted in some operating and scheduling difficulties for extra-provincial pipelines. However, it should be recognized that whatever proration plan is used, the administrative systems dealing with the co-ordination of crude oil movements require additional refinement. An area requiring particular attention is the accuracy of producer forecasts for both total production and rateability. The ability of the MPP to handle problems will depend greatly on the filing of timely and accurate production forecasts.
- (d) Questions remain on the effectiveness of the MPP during periods of market and pipeline constraints. There is a concern that the checks and balances

adopted within the MPP have not yet been tested and pipeline apportionment is always a possibility. If apportionment becomes necessary in the future, the lack of accuracy in the production forecasts could create inequities.

- (e) In response to producer concerns, the MPP was revised effective 1 September 1987 to change the timing of the recognition of higher MRLs (IL 87-11, Appendix 6). However, this has added administrative complexity to the MPP.
- (f) The attached news releases provide a month-by-month review of the MPP (Appendix 7).

There continues to be some uncertainty about the ability of extra-provincial pipeline systems to handle projected oil production, in spite of recent expansions in capacity. As an example, Interprovincial Pipe Line Limited (IPL) expects seasonal capacity shortfalls in the near term with yearly deficiencies in the long term without further expansions to its system. Moreover, other events may result in excessive oil supplies wishing to enter the IPL system or may cause a reduction in IPL pipeline capacity such as unexpected Alberta refinery shutdowns or pipeline breaks. Generally it is expected that under normal circumstances, there is sufficient extra-provincial pipeline capacity and future pipeline expansions will prevent any substantial restrictions to production for prolonged periods.

2.2.1 ISSUE 1: Appropriateness of the Existing Prorationing System as a Backstop

- (a) The prorationing system as it existed prior to October 1985 has been retained by the ERCB for reinstatement in the event that the Modified Proration Plan does not meet producer and government requirements for equitable production. The calculations necessary to allocate a given market to producing pools within the province can be maintained by the ERCB although at some significant staff and administrative commitment.
- (b) The administration of the prorationing system including the tabulation and updating of nominations, determination of market demand, preparation and communication of notices, monitoring and statistical analysis requires knowledgeable staff, who are in continuous contact with industry. The longer the old prorationing system is inoperative, the more difficult it becomes to reactivate. However, should it become necessary to reactivate prorationing during 1988, the ERCB expects it would be able to implement the full system within a maximum of 3 months.
- (c) All industry participants recognize the need that some form of production prorationing may be necessary in the future (as a backstop should significant unsolvable problems occur under

the MPP). Nevertheless, there is a concern that a return to full prorationing may not be suitable in light of current circumstances in the market place and to effectively handle some situations should some form of prorating be required in the future. Moreover, in the existing environment, the MPP has demonstrated that monthly nomination hearings and other aspects related to the maintenance of the MD Order are becoming redundant.

Recommendations for Issue 1

The Task Force members have agreed that the necessary backstop prorating system will be reviewed by December 1988. As part of its review the Task Force will consider a number of issues, including, but not limited to, the following:

- (1) crude oil types covered by prorating,
- (2) intra-pool equity,
- (3) inter-pool equity,
- (4) administrative requirements, and
- (5) the requirements of competition legislation.

2.2.2 ISSUE 2: Format of an Appropriate "Trigger Mechanism"?

- (a) The current trigger mechanism is outlined in reference clause 11 of the Industry proposal to the ERCB for Modified Proration Plan Principles dated 18 February 1987 (Appendix 2). If the ERCB, with advice from the Prorating Task Force, is unable to resolve an ongoing problem (identified in writing) which the Industry Associations consider to be significant, the prorating system as existed prior to October 1985 would be restored as soon as possible. As an example, if a producer is unable to obtain a market for his initial production as established by the IP Order despite making reasonable efforts, then the ERCB would restore the proration plan.
- (b) As an element of the trigger mechanism described above, the ERCB issues an IP Order each month which establishes the initial production levels and MRLs for each crude oil pool in the province based on a minimum market demand of 95 000 m³/d. It is the inability of a producer, despite his best efforts, to attain these initial production levels that would identify a significant problem with the Modified Proration Plan.
- (c) An examination of the initial production levels listed in the IP Order reveals that the vast majority of the pools receive the Basic Well Rate (BWR) as an allocation. In fact, in many cases, the BWR

and MRL are equal. The remaining pools contribute only a small portion of the provincial initial production level (25 000 m³/d comes from GPP production, 54 000 m³/d from BWR production, 16 000 m³/d from production above the BWR). The allocation factor determined using the market demand of 95 000 m³/d does not change significantly from month to month due to the fact that new reserve additions are usually offset by reserve adjustments and reduced capability in the older pools. Thus, the vast bulk of the figures in the IP Order do not change significantly and the majority of the paperwork is repetitious.

- (d) While it was anticipated at the implementation date of the Modified Proration Plan that a minimum volume clause related to the initial production level would be included in most wellhead purchase contracts, current practice has shown this not to be the general case. Instead, the Industry has depended in most cases on verbal assurances between individual buyers and sellers that the minimum volume would be honoured. In addition, the monthly volume adjustments, while small in magnitude, have left both producers and purchasers unsure as to the extent of the commitment.

Recommendations for Issue 2

The ERCB with advice from the Prorating Task Force should examine the appropriateness of the existing trigger mechanism. In particular, since the IP Order is an administratively complex element of the trigger mechanism that is widely recognized as not being very useful, the potential for simpler alternatives should be explored. The Task Force places its highest priority in resolving this issue and expects to make a recommendation by March 1988. Moreover, other significant issues relating to the trigger mechanism that should be reviewed by the Task Force include, but are not limited to, the following:

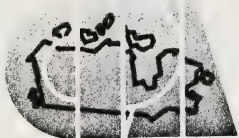
- (1) the impact of the government granting special rights to certain kinds of petroleum,
- (2) extra-provincial transportation capabilities, and
- (3) the impact of Canadian and foreign regulatory bodies.

Appendix 1

Comments from Task Force Members

MEMBERSHIP OF THE TASK FORCE ON CRUDE OIL PRORATIONING

<u>NAME</u>	<u>ORGANIZATION</u>
F. Mink (Chairman)	Energy Resources Conservation Board
G. Bourque	Imperial Oil Limited
R. Feick	Independent Petroleum Association of Canada
T. Lester	Northridge Petroleum Marketing Inc.
B. Lounds	Amoco Canada Petroleum Company, Ltd.
L. Page	Texaco Canada Resources
G. Scott	Alberta Petroleum Marketing Commission
W. Watmough	Westmin Resources Limited
R. Wigham	Small Explorers & Producers Association of Canada
J. Newton	Energy Resources Conservation Board
W. Oancia	Energy Resources Conservation Board

**CANADIAN PETROLEUM ASSOCIATION**

3800, 150 Sixth Avenue S.W., Calgary, Alberta T2P 3Y7

Telephone (403) 269-6721

1987-11-10

G.J. DeSorcy
Energy Resources Conservation Board
640 - 5th Avenue S.W.
Calgary, Alberta
T2P 3G4

Dear Mr. DeSorcy:

MODIFIED PRORATION PLAN

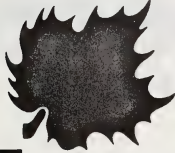
Members of the Canadian Petroleum Association are pleased with the functioning of the Modified Proration Plan during the brief trial period since June 1, 1987. While we understand that further efforts are required with respect to the administrative system for crude oil movement on the pipelines, we believe that the Modified Proration Plan should be made permanent with the following two conditions.

1. By March 31, 1988, a study will be completed for the replacement of the IP Order with some simpler mechanism.
2. By December 31, 1988, a study will be completed regarding any modifications necessary to the Basic Proration Plan to ensure its applicability in the future.

Yours sincerely,

Hans Maciej
Vice-President

IPAC



INDEPENDENT PETROLEUM ASSOCIATION OF CANADA,
SUITE 700, 707 SEVENTH AVENUE S.W.,
CALGARY, ALBERTA, CANADA, T2P 0Z2.
TELEPHONE: (403) 290-1530
TELECOPIER: (403) 290-1680
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November 16, 1987

Mr. Frank Mink,
Chairman, Industry/ERCB Task Force on Prorating,
Energy Resources Conservation Board,
640 - 5th Avenue S.W.,
Calgary, Alberta
T2P 3G4

Dear Mr. Mink:

RE: ERCB Assessment of the Modified Proration Plan

The Independent Petroleum Association of Canada (IPAC) supports the recommendation of the ERCB to continue the Modified Proration Plan (MPP) after January 1, 1988. IPAC believes the MPP has enhanced the ability of the industry to pursue available markets while providing the assurance to all producers of equitable market access when production is constrained. In this regard, IPAC views the option of returning to full prorating as integral to the MPP and critical to its long term success. IPAC is therefore pleased that there is broad agreement that this option be retained.

IPAC agrees there is merit in an ongoing review of the MPP, and believes that changes to the plan could be contemplated where potential improvements in its efficiency or effectiveness can be demonstrated.

Yours Truly,

Bob Reid
Executive Director,
Independent Petroleum Association of Canada

cc: Ian Smyth, CPA
Ken Lambert, SEPAC



Small Explorers and Producers Association of Canada

November 10, 1987

Mr. Frank Mink
Chairman
ERCB/Industry Task Force on Prorationing
Energy Resources Conservation Board
Energy Resources Building
640 - 5 Avenue S.W.
Calgary, Alberta

Dear Mr. Mink:

RE: COMMENTS ON STATUS REPORT

SEPAC agrees for the most part with the findings and supports the recommendations contained in the Board's Status Report An Assessment of the Modified Prorationing Plan.

This association's only concern is that those aspects of the Plan designed with a view to preserving equity among producers were not tested during the trial period owing to the strong demand and favourable transportation conditions that prevailed. In this regard, SEPAC draws some comfort from the Board's recommendation that the option of returning to full prorationing be retained.

Finally, SEPAC commends the Board's continuing efforts to improve the administrative machinery that guides the movement of crude oil, though it hopes that improvements can be effected without adding to the industry's burden of paperwork.

Yours truly,


Ron C. Wigham

1712
NOV 10 1987

Box 6531, Station "D", Calgary, Alberta, T2P 2E1

Appendix 2

Interim Directive ... ID 87-1

Interim Directive

ID87-1

To: All Oil and Gas Operators
All Crude Oil Shippers

2 March 1987

MODIFICATION OF THE PLAN FOR PRORATION OF OIL TO MARKET DEMAND IN ALBERTA

The Board has received a proposal, endorsed by both the Independent Petroleum Association of Canada (IPAC) and the Canadian Petroleum Association (CPA), for a modified system of production allocation to replace the current proration plan plus supplemental sales. The proposal has also been reviewed by the Small Explorers and Producers Association of Canada (SEPAC) and received its support. The proposal applies to conventional light-medium crude oil that is currently covered by the existing proration plan.

The Board has reviewed the proposal and believes it would improve the flexibility of accessing and marketing Alberta's oil while providing equity between producers. The Board is prepared to implement the system in its entirety effective 1 June 1987 rather than 1 May 1987 as proposed by the Associations. The Board believes the later date will enhance the chances for success of the proposed plan as it would be introduced in a month where, under normal circumstances, there is a stronger market. The later date will also give the pipelines, marketers, and all other affected parties sufficient time to co-ordinate the logistics of implementing the plan.

The modified system will be in effect for a trial period extending to the end of 1987. Copies of the proposal and endorsements received by the industry associations are attached as Appendix A. The Board has also received comments from five major shippers as to how the proposal may impact the price posting and lease purchase agreements. Copies of these letters are attached as Appendix B.

Summary of the Proposal

Under the revised plan the Board will continue to receive monthly nominations from all shippers to maintain some measure of primary demand for Alberta oil. This information will be reviewed by the Statistical Supply Committee and made available to the industry. An initial production level will be established each month for all light-medium oil pools by applying the existing principles of market sharing under the proration plan. As agreed, the allocation for this initial production level will be based each month on a demand of 95 000 m³/d of light-medium conventional crude oil.

The Board will issue an Initial Production Order (IP Order) each month, based on a demand of 95 000 m³/d, which will contain the data and the procedures for calculating the initial production levels and maximum rate limitations (MRLs) for all light-medium oil-producing entities in the province. An IP Order will normally be available to industry before the 25th of the second month prior to the month of production, and will not be revised to reflect actual change in primary demand for the month of production. As under the existing proration plan, no entity will receive an initial production level below its basic well rate.

Under the revised plan, all producers are expected to be able to market at least the initial production level from each entity. Available production for a production entity above the initial production level but below the MRL can also be contracted at the discretion of the producer. Only contracted oil covered by a proper notice of shipment and with a verified destination may enter any pipeline system. Overproduction penalties will only apply to production in excess of the penalized MRL.

The ERCB, with advice from IPAC, CPA, SEPAC, and the Alberta Petroleum Marketing Commission (APMC), will monitor the modified proration plan. Producers who are unable to contract their initial production level should notify the Board and be prepared to document their efforts to sell that oil. The Board will maintain the mechanics of the existing proration plan so that it could be reinstated if the modified plan is not functioning as designed.

June 1987 Initial Production Order

In compliance with this proposal, the Board intends to issue a preliminary IP Order for June 1987. This will be made available by the 25th of March and will contain the revisions necessary to accommodate the proposal. The final IP Order will be available to industry by the 25th of April and will reflect any reserve adjustments received up to 7 April 1987. This final Order for June will include the Board's annual adjustments for proratable reserves and MRL calculations.

It should be noted that the updated MRLs established in April for the May 1987 MD Order will also set the maximum June production for each entity and will be used by the Board for allowable surveillance administration. Therefore, the MRLs that appear in the preliminary IP Order are for reference purposes only and should be used as a guide for tendering production in excess of the initial production level.

In May an IP Order will be issued for July on assigned proratable reserves using data available up to 7 May 1987.

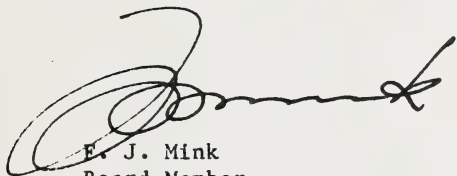
March to May 1987 Supplementary Sales

The Board indicated to the industry in December that it would discontinue the existing supplementary sales program on 28 February 1987. Given the time lag necessary to implement the revised program it is recognized that there may be some risk that oil may be shut in if no supplementary sales were allowed. To accommodate that concern, the Board has agreed to extend the basic elements of the current supple-

mentary program for the months of March, April, and May. In extending the plan, however, the Board would place no restriction on the ultimate destination of the supplementary sales. Should this extension to the supplementary program result in significant erosion of the prevailing primary market during March, April, or May, the Board would withdraw the opportunity to market supplementary oil.

Any problems and concerns relating to the proposed plan should be addressed to Mr. Frank Mink, Board Member, at 297-2373.

ISSUED at Calgary, Alberta, on 2 March 1987.

A handwritten signature in black ink, appearing to read 'F. J. Mink', with a large, stylized initial 'F' and a long, sweeping horizontal stroke.

F. J. Mink
Board Member

attachments

APPENDIX A

Proposal to the Alberta Energy Resources Conservation Board (ERCB)
for Modified Proration Plan Principles of Proposed System

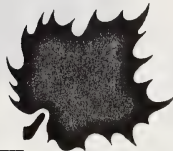
87-02-18

Note: This proposal is in response to the ERCB request for submissions and only applies to conventional light-medium crude oil that is currently covered by the existing proration plan.

1. The following outlines a proposal for a new system to replace the current proration plan plus supplemental sales to be effective May 1, 1987 for a trial period extending to the end of 1987. The ERCB, with advice from CPA and IPAC, will monitor the program monthly and implement changes as necessary. A formal review of the proposed program by the ERCB/CPA/IPAC Task Force will be scheduled to commence in October 1987. If after this review, the ERCB, with advice from CPA and IPAC, finds that the modified proration plan is operating effectively, then it is agreed that the aforementioned plan will be extended.
2. The current MD system would remain in place in a slightly altered form. All required administrative mechanisms, including refiner nominations and stats committee coordination, have not been changed such that the ERCB could quickly and easily arrange a return to the current system.
3. Under the revised system, the MD order (to be called the "Initial Production Order" - IPO) would be established by the ERCB at a pre-determined level of 95 000 m3/d each month ("initial production level"). The initial production level would be revised monthly to reflect such things as revised pool reserves, new wells, etc. The IPO would then be available to industry before the 25th of the second month prior to the month of production. The IPO would not be revised to reflect actual demand as per the nominations.
4. The IPO per paragraph 3. would establish an "initial production level" for each producing entity equal to or less than the MRL for the entity. GPP production would continue as current. As under the current system, no entity could receive an "initial production level" below its basic well rate.
5. Production would be allowed in excess of the initial production level established under the IPO but below the MRL.
6. Producers and purchasers would continue to be free to negotiate directly price and other terms and conditions for all production under 4. and 5. above.

7. The ERCB would monitor light-medium conventional production levels on an ongoing basis to ensure that production would continue to enjoy pipeline access in the same order of priority as exists under the present proration plan, giving effect to current obligations by the Government of Alberta to producers.
8. The ERCB would administer overproduction penalties such that they would only apply to production in excess of the penalized MRL. The format of the current rules would continue.
9. Pipeline practices would require that only oil covered by a proper notice of shipment and with a verified destination would enter any pipeline system.
10. The ERCB would administer the proposal such that the principle of intra-pool equity would be preserved in a manner similar to the current system to minimize drainage between leases.
11. This proposal would be monitored by the ERCB and if the ERCB, with advise from the Task Force, is unable to resolve an ongoing problem (identified in writing) which either association considers to be significant, the ERCB would restore the prorationing system as existed prior to October 1, 1985 as soon as possible. As an example, if the ERCB found that a producer is unable to obtain a market (including in cases of pipeline apportionment) for his full initial production level as established by the IPO despite his making reasonable efforts, then the ERCB would so restore the proration plan.
12. Any producer would have the right to submit its concerns to the ERCB at any time and, in the absence of suitable resolution, may request a hearing under the Act.

IPAC



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TELEPHONE: (403) 290-1530
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TELEX: 03-827681

February 19, 1987

File: 04-0003

Mr. G.J. DeSorcy
Chairman
Energy Resources Conservation Board
640 - 5 Avenue,
Calgary, Alberta
T2P 3G4

Dear Mr. DeSorcy:

RE: Modified Prorating Plan

The Independent Petroleum Association of Canada (IPAC) approves and supports the proposal of the ERCB/IPAC/CPA Task Force for a Modified Prorating Plan. IPAC believes the Modified Prorating Plan has considerable merit and is a reasonable compromise between those that want prorating to remain in place and those that would prefer to see its elimination. I will shortly be writing to you to advise of the types of problems that IPAC would consider significant as per Clause 11 of the proposal for a Modified Prorating Plan.

Regarding the Supplementary Oil Sales Program in March and April, we recognize the difficulty the Board has in restricting distribution of supplementary sales to specific refiners. Accordingly, IPAC requests the ERCB extend the basic elements of the supplementary program without the geographic discrimination for the months of March and April. IPAC recommends that March and April be handled individually with no decision taken on either month until the nominations have been tabled with the Board in order to determine whether or not there has been a noticeable shift away from primary purchases. Assuming that the primary market nominations are considered adequate by the Task Force, then supplemental oil sales would be permitted. If demand is below this level, then there would be no supplemental sales. We also request that the ERCB continue to require public advertising and tendering for all supplemental volumes and that the Board continue to closely monitor production and pipeline capacity, as it has done in recent months, in order to restrict supplemental sales as required.



I believe that if this proposed program is accepted by the Board, we can avoid potential problems in March and April that might otherwise detrimentally affect the viability of the proposed Modified Prorationing Plan.

Yours truly,

R.R. Andrews
Managing Director

TEL:ch

c.c. F. Mink (ERCB)
I. Smythe (CPA)
Task Force Members



CANADIAN PETROLEUM ASSOCIATION

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1987-02-18

Mr. G.J. DeSorcy
Chairman
Energy Resources Conservation Board
640 - 5th Avenue S.W.
Calgary, Alberta
T2P 3G4

Dear Mr. DeSorcy:

MODIFIED PRORATION PLAN

The Canadian Petroleum Association endorses the proposal of the ERCB/CPA/IPAC Task Force for a modified proration plan. While we appreciate that some segments of the producing industry may be apprehensive about entering into this new era of crude oil marketing, we are confident that this revised system will benefit all producers. Our Association is willing to assist the ERCB in whatever manner it can to make sure that the transition to this new program is as smooth as possible.

Our Association believes that during the interim period of March and April it is imperative that some form of additional crude oil sales be permitted. A return to the basic proration plan only for this period is not acceptable to our members. A variety of other options are available to the ERCB and we urge you to provide leadership in implementing a temporary system acceptable to all parties.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Hans Maciej', written over a horizontal line.

Hans Maciej
Technical Director

HM/dp

APPENDIX B

IMPERIAL OIL LIMITED

237 Fourth Avenue Southwest
Calgary, Alberta, Canada T2P 0H6

1987 02 17

Mr. Frank J. Mink
Manager of Economics
Energy Resources Conservation Board
Economics Department
640 Fifth Avenue S.W.
Calgary, Alberta
T2P 3G4

Dear Frank:

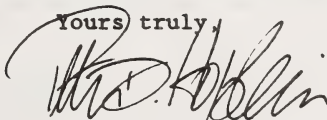
Further to our meeting of February 11, 1987, I would like to clarify Imperial's position on two issues raised in respect to the proposed changes to Alberta's prorationing and supplemental sales programs.

Firstly, we wish to emphasize that the current system of posting prices for crude oil purchases is intended only as a means of communication of prices to those producers to whom Imperial is contracted. The system of posting prices is a long standing practice in the oil industry and has proven to be an efficient way to inform the many producers we have under contract of the prices we are prepared to pay for the various grades of crude oil on the market. While we see no reason at this time for this practice to change, we cannot provide any assurances that Imperial will continue to post prices.

Imperial's standard lease contract is a long standing, proven vehicle for contracting to purchase crude oil from producers at the wellhead. Again, while we see no reason at this time for lease purchasing arrangements to change, we cannot provide any assurances that our purchase and contracting methods will not alter.

Our past practices offer many advantages to both the producer and Imperial and we recognize the stability they may help ensure during the impending trial period of a modified prorationing system. At the same time, we compete in a highly dynamic environment and must maintain our ability to adapt to changing conditions. For this reason, we must retain our flexibility to adjust our purchasing and pricing methods should conditions warrant.

Yours truly,



P. D. Hopkins
Manager, Western Crude Oil Marketing

Petro-Canada Inc.

P.O. Box 2844
Calgary, Alberta T2P 3E3
Telephone (403) 296-8000
Telex 03-825753

Petro-Canada Inc.

C.P. 2844
Calgary (Alberta) T2P 3E3
Téléphone (403) 296-8000
Télex 03-825753

File:

1987 02 17

Energy Resources Conservation Board
640 - Fifth Avenue S.W.
CALGARY, Alberta
T2P 3G4

Attn: F. Mink

Dear Frank,

Petro-Canada welcomes and supports the efforts of the ERCB/IPAC/CPA taskforce to establish a workable replacement for the Supplemental Oil Sales Program since without some form of replacement, Petro-Canada believes there would continue to be unacceptable levels of shut-in production.

Petro-Canada supports the proposal currently being advanced by the ERCB/IPAC/CPA taskforce and, transition adjustment aside, believes that with and only with tight policing by Pipelines, Shippers and the ERCB to ensure production volumes are nominated to all pipelines correctly, allowing any potential shortage of pipeline space to be equitably allocated amongst all pipeline Shippers, the proposal is workable.

Subject to major and unforeseen changes in the competitive environment, Petro-Canada is prepared to continue posting crude oil prices at the field level and is also prepared to continue to purchase primary crude oil produced according to a $95 \times 10^3 \text{ m}^3/\text{d}$ M.D. Order under lease contractual arrangements now in place. Furthermore, in most instances, Petro-Canada will consider making offers for the remainder of a Company's lease production; that portion between the MRL and the allowable based on a $95 \times 10^3 \text{ m}^3/\text{d}$ M.D. Order.

Petro-Canada, as a significant purchaser of crude will continue to pay competitive market prices for all its oil purchases, and as in the past, will fulfill its obligations, for both price and volume, under existing contracts.

FEB 18 1987

- 2 -

We hope this letter may assist the ERCB/IPAC/CPA taskforce in gaining industry acceptance of their proposal. If Petro-Canada can make any further contributions to the process, please do not hesitate to call.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. F. Bechtold", with a stylized flourish at the end.

J. F. Bechtold
Senior Director, Supply

CHC/kk
1/5



Shell Canada Products Limited

Western Complex
311 - 6th Avenue S.W.
Calgary, Alberta
Telephone (403) 232-3111

February 18, 1987

Mailing Address:
P.O. Box 100, Station "M"
Calgary, Alberta
T2P 2H5

Energy Resources Conservation Board
640 Fifth Avenue S.W.
Calgary, Alberta
T2P 3G4

Attention: Mr. Frank Mink

Subject: Modified Market Proration Plan

Dear Frank:

In response to your request as outlined at a meeting on February 9, 1987, we submit the following reaction to the subject plan.

Shell Canada Limited (Shell) is a major producer of crude oil with significant shut-in production under the current proration plan as well as being a large net buyer of Canadian crude oil production.

Shell is supportive of every progressive effort to move to a freer market environment for the crude oil industry. We have carefully studied the proposal and concluded that it is not in the best interest of Shell Canada nor the industry as a whole. It is our assessment that the proposed Modified Proration Plan will result in a production allocation based on a first-come first-served basis to pipeline space. Thereby current good production practice and low productivity wells would have the greatest potential of not meeting desired or base volumes as defined in the subject plan. The subject plan also has the potential of resulting in a two-tier market. Accordingly, the subject plan is not an acceptable long term solution. However, Shell is prepared to operate within any system in a manner that does not impair Shell's ability to compete fairly in either the upstream or downstream marketplaces.

The following summarizes our presently intended course of action in the event the subject plan is adopted by the ERCB.

Shell;

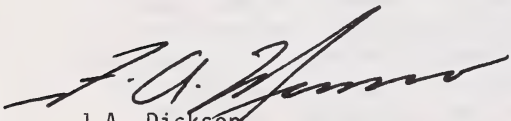
- A) Will continue to honor all existing "Lease Contracts" up to the full volumes produced at the lease (ie: wells, units, etc.) specified on the contract. Shell will, at its discretion, contract for additional lease volumes under the same competitive terms and conditions.
- B) Is not prepared to get involved with any company instigated prorationing system at the lease due to the inherent administrative problems and legal ramifications of such a system. The ERCB are at present the only entity that has the legal power to prorate Alberta production.

- C) Is prepared to invoke "Force Majeure" on all "Spot Contracts" for stream crude oil delivered to Shell at Edmonton when and to the extent necessitated by Interprovincial and/or Trans Mountain pipeline space apportionment.
- D) Will remain competitive with the many major Canadian and American purchasers of crude oil whether they decide to issue relevant public postings or not. Accordingly, Shell reserves the right to purchase spot volumes at Edmonton at terms other than those derived from Shell's crude oil posting.
- E) Will continue to issue a relevant public crude oil posting until such time as the posting is found to impair Shell's ability to purchase crude oil on a competitive basis. In the event, the issuing of a public posting were discontinued, a listing of competitive term prices would be communicated only to our crude oil suppliers under contract.

Shell Canada Limited prefers a longer term alternative to the current prorating system that addresses plainly and clearly the fairest way of allocating which crude oil has access to pipelinespace and which crude is shut-in in the event of pipeline capacity restraints or operational upsets. No prorating system is required if pipeline movement is not a constraint.

We trust the above clarifies Shell Canada's position with respect to the subject proposal.

Yours very truly,



J.A. Dickson
1 Manager, Supply Operations & Planning



February 17, 1987.

Energy Resources Conservation Board,
640 - 5th Avenue S.W.,
Calgary, Alberta.
T2P 3G4

Attention: Mr. F. Mink

Dear Sirs:

In order to remain competitive, Sunoco Inc. continually evaluates supply alternatives for its refinery. As a result, Sunoco's posting philosophy -- where to post and whether or not to post -- is always under review and has been since de-regulation.

Approximately 65% of Sunoco's Sarnia refinery crude run is made up of synthetic crude. The balancing supply of light and medium crude, from Alberta, Saskatchewan, and Manitoba, and other sources, is comprised of Suncor production and purchases from other producers. The purchases from other producers, therefore, represent only a small percentage of our crude runs.

At the present time, Sunoco Inc. does not intend to discontinue posting as a result of the implementation of the modified market pro-ration plan. We intend to continue purchasing wellhead crude at our posting and have informed those producers with whom we have wellhead purchase contracts that we will purchase all of their production - up to MRL levels - at our posting.

We support the implementation of a system that takes a further step toward complete de-regulation of crude oil marketing in the Province of Alberta.

Yours very truly,

SUNOCO INC.,

R. R. Charlet,
Manager, Supply & Administration.

RRC/ct

FEB 18 1987

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Grant S Devonshire
Manager Supply
Supply & Distribution
Department (West)

Texaco Canada Inc

605 5 Avenue SW
PO Box 3333 Station M
Calgary Alberta T2P 2P8

HAND DELIVERED

1987-02-18

Energy Resources Conservation Board
640 - Fifth Avenue S.W.
Calgary, Alberta
T2P 3G4

ERCB MODIFIED MARKET PRORATION PLAN - LIGHT/MEDIUM CRUDE

Attention: Mr. Frank Mink, Board Member

Dear Sir,

Texaco Canada Inc. has reviewed the basic concepts to the above proposed plan which would replace strict prorationing and the Supplementary Sales Program effective May 1, 1987.

Subject to a suitable Force Majeure clause Texaco will agree to purchase our contracted share, as represented by our existing lease/wellhead crude purchase agreements, of the "initial production level". Texaco will also agree to continue our current concept of price posting until at least the end of the trial period although it should point out that if the system of posting prices becomes inappropriate in the markets in which Texaco Canada operates then we reserve the right to review and change as required.

It is understood that the "initial production level" will be set at 95000 m3/D, but revised monthly to reflect new wells, revised reserves etc, and the plan will remain in force until the end of 1987.

Yours very truly,

G.S. Devonshire
Manager Supply

GSD/sc

FEB 18 1987
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Appendix 3

Informational Letter ... IL 87-2

Informational Letter

IL 87-2

TO: All Oil and Gas Operators
All Crude Oil Shippers
All Crude Oil Pipelines

8 April 1987

On 2 March 1987 the Board agreed to modify the existing prorationing system, on a trial basis, to allow for unfettered negotiation between producers and buyers of crude oil. The complete details of the new program are outlined in Interim Directive ID 87-1.

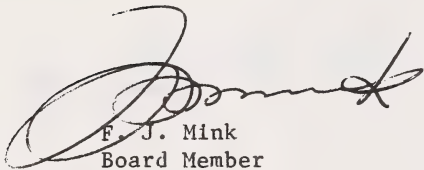
Consistent with that program, an industry/ERCB/APMC Task Force has met all feeders and extraprovincial oil pipelines in Alberta to develop a logistics sequence designed to act as a timeline and checklist for its implementation. It details the actions that must be taken by the ERCB, shippers, producers, and pipeline operators in the period 25 April - 30 June to ensure a smooth transition to the modified proration plan. A copy of the sequence is shown in Appendix A.

Under the modified proration plan, only contracted "initial and other" production covered by a verified notice of shipment and with a verified destination may enter any pipeline system; non-contracted volumes will not be shipped. The Board believes that a reasonable procedure to verify notice of shipment volumes has been developed by the Task Force and should be adhered to. Verification is necessary to ensure that all crude oil production is properly contracted and covered by notice of shipment. In addition, it provides for a timely and accurate accounting of the royalty oil produced for the APMC. Details of the procedure, entitled "Guidelines for Forecasting Crude Oil Deliveries", are attached as Appendix B. The logistics sequence and the guidelines for forecasting crude oil deliveries were reviewed by the committee to link the terminology and timing with the reporting sequence. Definitions of abbreviations and terms used are outlined as Appendix C. Note that this Informational Letter focuses on the sequence of events necessary for June production. An identical schedule with appropriate changes in dates to allow for public holidays and weekends will apply for all future months of production.

The Board believes that the success of the modified proration plan depends largely on good communication between the Board, producers, pipelines, and shippers. Failure by any one party to carry out its functions as outlined here may result in the unnecessary shut-in of production. The Board will monitor the implementation and direct the feeder pipelines to take corrective action if the information required is not provided.

Any questions relating to the Logistics Sequence and the Guidelines for Forecasting Crude Oil Deliveries should be addressed to the EICB Economics Department: John Newton, Manager (403-297-2397), Ray Towle (403-297-8578), or Bill Oancia (403-297-3491).

ISSUED AT Calgary, Alberta, on 8 April 1987.



F. J. Mink
Board Member

attachments

APPENDIX A

IMPLEMENTATION OF MODIFIED PRORATION PLAN
LOGISTICS SEQUENCE

<u>DATE 1987</u>	<u>EVENT</u>
27 April	- IP Order issued by ERCB for June production.
30 April	- Shippers provide delivery forecast to IPL for July/August/September period for linefill purposes. Shippers provide update of June forecast. - Working Interest Owners conclude negotiations on 30-day evergreen contracts to be effective 1 June and notify the Operator responsible for production accounting, who then provides Feeder Pipeline Connected Facility Operator (including Truck Terminal Operators and Pipelines Connected to Feeder Pipelines) with the Forecast of Crude Oil Deliveries (Form A). These forecasts are due by noon 5 May.
6 May	- IPL and TMPL advise Shippers of 30 April actual linefill position. - If a Shipper is <u>under linefill</u>, then either buy linefill from a Shipper who is over linefill on 30 April, or get coverage from a Shipper who is over linefill on 30 April. Purchase or coverage to be consistent with type of crude oil being shipped. - If a Shipper is <u>over linefill</u>, then either sell linefill to a Shipper who is under linefill on 30 April, or cover a Shipper who is under linefill on 30 April. Sale or coverage to be consistent with type of crude oil being shipped.

continued

- 6 May - Objective is that all Shippers are on linefill by 31 May.
- 7 May - IPL, TMPL, or Shippers start limiting receipts or deliveries to be on linefill for 31 May if corrective action listed above has not already been taken.
- 8 May - Feeder Pipeline Connected Facility Operators (including Truck Terminal Operators and Pipelines Connected to Feeder Pipelines) provide aggregated Forecast of Crude Oil Deliveries (Form A) for June to the Feeder. This information must be to the feeder systems by noon.
- Feeder Pipeline Connected Facility Operators and Producers delivering to Truck Terminals provide Shippers, including the APMC, with the Forecast of Crude Oil Deliveries to Shippers (Form B) for June.
- 11 May - Shippers update TMPL delivery forecast for 13 months starting with June.
- IPL provides prescribed linefill requirements to Shippers for July/August/September period. Shippers to be on a linefill by 30 June.
- 13 May - Feeders advise Shippers, including the APMC, of stream volume aggregated from the Forecast of Crude Oil Deliveries received on 8 May.
- 15 May - Shippers file IPL, TMPL, and Rangeland Notices of Shipment for June deliveries and receipts, recognizing linefill requirements.
- Shippers file Notice of Shipment with Feeders for June.
- Rangeland Pipeline provides Forecast of Crude Oil Deliveries (Form A) to Texaco Pipeline.

continued

- 15 May - Shippers file ERCB nominations for June.

- 19 May - Feeders advise Shippers of discrepancies in Notice of Shipment. Shippers take action to reconcile the Forecast of Crude Oil Deliveries (Form A) for June to the Notice of Shipment.

- 20 May - All discrepancies between Feeders, IPL, TMPL, and Shippers should be reconciled by this time. The objective is to verify supply prior to apportionment.

- IPL and TMPL confirm June deliveries to Shippers, and apportionment, if necessary.

- 22 May - IPL and TMPL advise Feeders of expected June receipt volumes by Shipper.

- Working Interest Owners conclude negotiations on spot contracts to be effective 1 June and notify the Operator responsible for production accounting, who notifies the Feeder Pipeline Connected Facility Operator (including Truck Terminal Operators and Pipelines Connected to Feeder Pipelines).

- Notices of Shipment revised by Shippers.

- 25 May - Feeder Pipeline Connected Facility Operators (including Truck Terminal Operators and Pipelines Connected to Feeder Pipelines) provide revised Forecast of Crude Oil Deliveries (Form A) for June to the Feeders.

- Notices of Shipment revised by Shippers.

- IP Order issued by ERCB for July production.

- 26 May - Feeders finalize June daily delivery schedules with IPL, TMPL, and Edmonton refineries.
- 28 May - Feeders advise those Feeder Connected Facility Operators who cannot produce to forecasted level due to lack of verified Notices of Shipment.
- Producers seek alternate Purchaser.
- Shippers update delivery forecast to IPL for July/August/September period.
- 29 May - Operators responsible for production accounting provide Feeder Pipeline Connected Facility Operator (including Truck Terminal Operators and Pipelines Connected to Feeder Pipelines) with the Forecast of Crude Oil Deliveries (Form A) for July.
- These are due by noon 5 June.
- 1 June - Feeders that do not have a verified Notice of Shipment for June production cannot accept the crude oil.
- Feeders hold connected facilities to rateable production levels equal to verified deliveries out of their system.
- 5 June - IPL and TMPL advise Shippers of 31 May actual linefill position.
- If a Shipper is under linefill, then either buy linefill from a Shipper who is over linefill on 31 May, or get coverage from a Shipper who is over linefill on 31 May. Purchase or coverage to be consistent with type of crude oil being shipped.

continued

- 5 June
- If a Shipper is over linefill, then either sell linefill to a Shipper who is under linefill on 31 May, or cover a Shipper who is under linefill on 31 May. Sale or coverage to be consistent with type of crude oil being shipped.
 - Objective is that all Shippers are on linefill by 30 June.
- 8 June
- IPL, TMPL, or Shipper start limiting receipts or deliveries to be on linefill for 30 June if corrective action listed above has not already been taken.
 - Feeders shut-in production of offending Shippers.
 - Feeders inform Shippers of major rateable production differences versus Notice of Shipment after first ticket cut.
 - Shippers and Pipelines take corrective action.
 - Feeder Pipeline Connected Facility Operators (including Truck Terminal Operators and Pipelines Connected to Feeder Pipelines) provide aggregated Forecast of Crude Oil Deliveries (Form A) for July to the Feeders. This information must be to the Feeder by noon.
 - Feeder Pipeline Connected Facility Operators, and Operators delivering to Truck Terminals, provide Shippers, including the APMC, with the Forecast of Crude Oil Deliveries to Shippers (Form B) for July.

CYCLE CONTINUES SAME AS MAY

1-30 June - Uncontracted shut-in production can still be sold if a Shipper and pipeline capacity are available. Forecasts of Crude Oil Deliveries (Form A) are revised by Producers and Notices of Shipment are revised by Shippers. Both documents must be verified by the Feeders before crude oil is allowed to be produced.

APPENDIX B

GUIDELINES FOR FORECASTING CRUDE OIL DELIVERIES

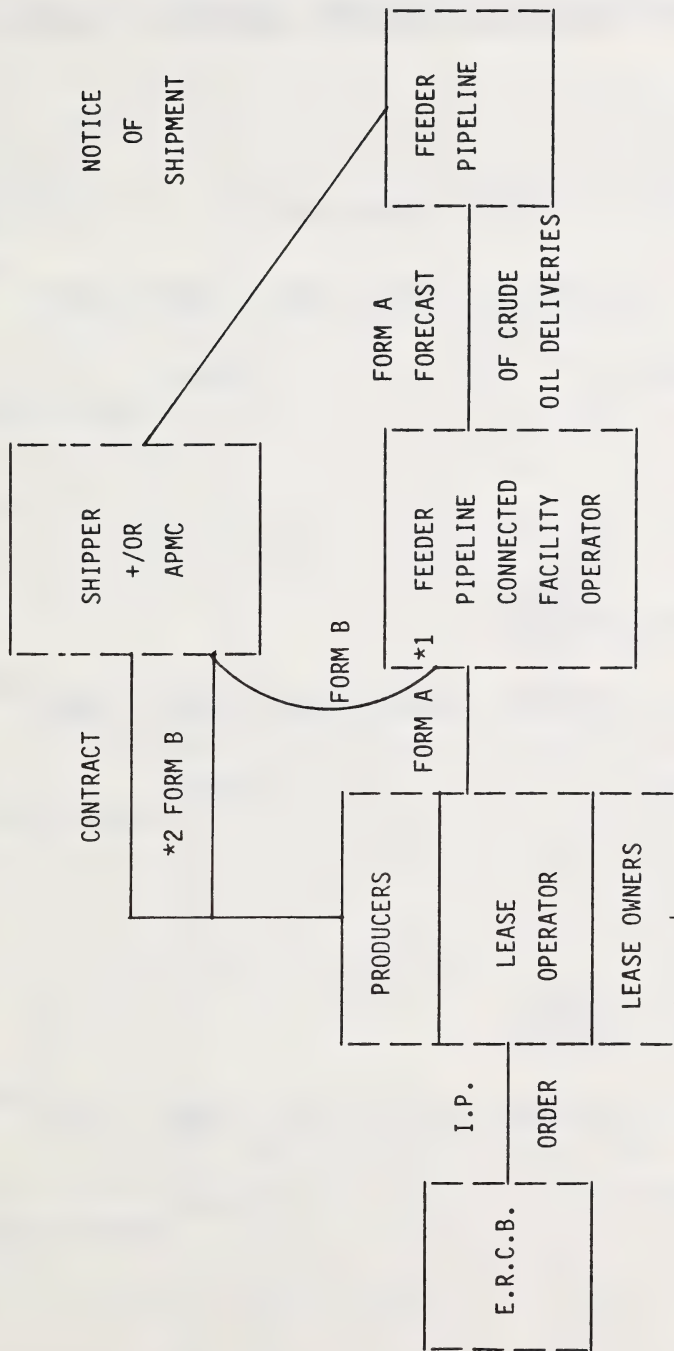
The ERCB announcement on 2 March establishing a Modified Proration Plan reaffirms the requirement for accurate and timely production forecasting to the Feeder Pipelines. The "Forecast of Crude Oil Deliveries" will not replace the legal obligation of the crude oil purchase contract or the Notice of Shipment but will provide a mechanism to minimize receipts of uncontracted production into the feeder system.

"Forecast of Crude Oil Deliveries" (Form A) outlines the required data to be provided to Feeder Pipelines. Form B outlines data to be provided to Shippers. Xeroxed copies of these forms may be used by the reporting companies as needed. Computer-generated forms are acceptable as long as the data is consistent with the requirement. A flow chart illustrating the intent of the procedure is also attached. The following guidelines establish the appropriate procedures and timetable for compiling this information:

1. Communications both written and verbal referred to in this guideline will be made in consideration of confidentiality between buyer and seller. Good business practice will prevail.
2. The Feeder Pipeline Connected Facility Operator must report aggregate production information to the Feeder Pipeline on Form A and to each specific Shipper, including the APMC, on Form B.
3. Producers, using Form A, will report production information to Truck Terminals, Pipelines Connected to Feeder Pipelines, and the Operator of the producing battery or other facility injecting their crude oil into a Feeder Pipeline.
4. Producers reporting crude oil production to Truck Terminals on Form A must report corresponding production to the appropriate Shipper, including the APMC, on Form B.
5. In the case of initial and other contracted oil production, the data outlined in the forecast must be received by the appropriate Feeder Pipeline not later than 10 working days following issuance of the ERCB's IP Order. This will normally be the 5th working day of the month prior to the month of production. Producers reporting to Truck Terminals, Pipelines Connected to Feeder Pipelines, and the Feeder Pipeline Connected Facility Operators must report by the 3rd working day of the month prior to the month of production.
6. Information concerning additional production (sales) secured after submitting the forecast must be forwarded to the feeder system as soon as volumes have been identified and contracted.

7. The Feeder Pipeline will then compare the Feeder Pipeline Connected Facility Operator's forecast with Notices of Shipment received from the Shipper.
8. Where a significant discrepancy between the forecast of crude oil deliveries and Notice of Shipment occurs, the Feeder Pipeline will contact the appropriate Shipper. The determination of what volume constitutes a significant amount may vary depending upon prevailing circumstances and will be at the discretion of the Feeder Pipeline.
9. The Shipper must take appropriate action. This may include revision of the Notice of Shipment or discussion of contractual terms with producers. The Feeder Pipeline will be required to shut-out production that is not verified by a Notice of Shipment.
10. Reporting of trucked volumes will be the responsibility of the Truck Terminal Operator at the appropriate injection point. Truck terminals not operated by the Feeder Pipeline will require separate notice from both Shipper and Producer. The Truck Terminal Operator will be required to shut-out production that is not verified by a Notice of Shipment.
11. The assumption of rateability is inherent in the foregoing. Producing entities that are incapable of rateability, or benefit from unrateability, must negotiate unrateable deliveries with the receiving Feeder Pipeline.
12. The forecast of crude oil deliveries will be updated by Operators on a monthly basis to account for changes in purchaser information and changes in production due to pool declines, additional or new wells, and facility turnarounds. In some instances (eg. where volumes are not deemed significant by the Feeder Pipeline) production does not vary significantly on a monthly basis and, as such, the revised forecast of crude oil deliveries may not be required by the Feeder Pipeline. However, it remains the responsibility of the Feeder Pipeline Connected Facility Operator to ensure that the Feeder Pipeline has the appropriate data in hand to perform a monthly comparison.

REQUIRED INFORMATION FLOW FOR FORECAST OF CRUDE OIL DELIVERIES



***1 INCLUDES:**

1. CONNECTED BATTERIES
2. CONNECTED PIPELINES
3. TERMINALS

*2 PRODUCER FILES FORM B ONLY
WHEN DELIVERING CRUDE OIL
TO A TRUCK TERMINAL OR
PIPELINE CONNECTED TO
A FEEDER PIPELINE.

Form A

FORECAST OF CRUDE OIL DELIVERIES To Truck Terminals, Pipeline Connected Facilities and Pipelines

OPERATOR -			
ADDRESS -			
REPRESENTATIVE -			
TELEPHONE -		ERCB OPERATOR CODE -	

MONTH : _____ 19 ____
 Amendment ☐
 Date : _____

Volumes in m³

Field Delivery

Point :

PIPE LINE	TRUCK TERM	OPER	FIELD	BATTERY	BATTERY DESCRIPTION

SHIPPER		INITIAL PROD.	OTHER PROD.
APMC	(ROYALTY SHARE)		
TOTAL			
DELIVERY POINT TOTAL			

Field Delivery

Point :

PIPE LINE	TRUCK TERM	OPER	FIELD	BATTERY	BATTERY DESCRIPTION

SHIPPER		INITIAL PROD.	OTHER PROD.
APMC	(ROYALTY SHARE)		
TOTAL			
DELIVERY POINT TOTAL			

Field Delivery

Point :

PIPE LINE	TRUCK TERM	OPER	FIELD	BATTERY	BATTERY DESCRIPTION

SHIPPER		INITIAL PROD.	OTHER PROD.
APMC	(ROYALTY SHARE)		
TOTAL			
DELIVERY POINT TOTAL			

Form B

FORECAST OF CRUDE OIL DELIVERIES TO SHIPPERS

OPERATOR -	
ADDRESS -	
REPRESENTATIVE -	
TELEPHONE -	ERCB OPERATOR CODE -

MONTH : _____ 19 ____
Amendment ☐
Date : _____

Volumes in m³

Field Delivery Points:

Deliveries To The Account Of - SHIPPER :

ERCB Code: _____

PIPE	LINE

TRUCK	TERM

OPER

FIELD

BATTERY

BATTERY DESCRIPTION	INITIAL PROD.	OTHER PROD.
TOTAL	PIPELINE TOTAL -	

PIPE	LINE

TRUCK	TERM

OPER

FIELD

BATTERY

BATTERY DESCRIPTION	INITIAL PROD.	OTHER PROD.
TOTAL	PIPELINE TOTAL -	

PIPE	LINE

TRUCK	TERM

OPER

FIELD

BATTERY

BATTERY DESCRIPTION	INITIAL PROD.	OTHER PROD.
TOTAL	PIPELINE TOTAL -	

APPENDIX C

ABBREVIATIONS AND TERMS

1. APMC - Alberta Petroleum Marketing Commission.
2. Apportionment - The capacity allocation process which occurs when the Notices of Shipment filed by Shippers are in excess of the pipeline's capacity to make physical delivery.
3. Coverage - When one Shipper applies the volume of crude oil over its prescribed linefill against the volume of crude oil that another Shipper is under its prescribed linefill.
4. Delivery Schedules - A forecast of daily volumes to be delivered from one pipeline to either a refinery or connected pipeline.
5. ERCB - Energy Resources Conservation Board.
6. Feeder or Feeder Pipeline - Crude oil system which transports crude oil from pipeline connected facilities, truck terminals, or other pipelines to Edmonton.
7. Feeder Pipeline Facility Operator - Any company responsible for operating a production entity which is connected to a Feeder Pipeline.
8. Form A Forecast of Crude Oil Deliveries - Report generated by Producers, Feeder Pipeline Connected Facility Operators, Truck Terminal Operators, and Pipeline Operators connected to the Feeder Pipelines.

- 9. Form B Forecast of Crude Oil Deliveries to Shippers - Report generated by Feeder Pipeline Connected Facility Operators and Producers delivering crude oil to trucking terminals indicating production volumes and buyer (Shipper).
- 10. IPL - Interprovincial Pipeline.
- 11. IP Order - Initial Production Order which replaces the MD (Market Demand) Order.
- 12a. Linefill or prescribed Linefill - The volume of crude oil a Shipper must provide in order to make deliveries on a continuous basis. Applies mainly to the Interprovincial and Trans Mountain Pipelines.
- 12b. On Linefill - When the physical volume and the prescribed linefill are equal.
- 12c. Over Linefill - When the actual volume of crude oil a Shipper is carrying in the pipeline is more than the prescribed linefill required to make deliveries.
- 12d. Under Linefill - When the actual volume of crude oil a Shipper is carrying in the pipeline is less than the prescribed linefill required to make deliveries.
- 13. Notice of Shipment - The legal tendering document filed by Shippers to pipelines indicating input locations, crude oil volumes, and delivery locations for crude oil being transported.

14. Operator - Any company responsible for operating production entities.
15. Pipeline Connected Feeder Pipeline - Gathering pipeline operated by a company other than the Feeder Pipeline Company and connected to the Feeder Pipeline.
16. Rateable Production - Total expected monthly production volume divided by the number of days in the month.
17. Shippers - Companies owning and moving crude oil in a pipeline.
18. Spct Contract - Agreement between a seller and buyer for a fixed volume over a fixed time period (usually 1 month).
19. Term or Evergreen Contract - Agreement between Producer and purchaser (Shipper) which will continue until cancelled.
20. Ticket Cut - The actual metered volume delivered from Feeder Pipelines to IPL, TMPL, and Edmonton refineries by Shipper.
21. TMPL - Trans Mountain Pipe Line Company Ltd.
22. Working Interest Owner - Any company owning marketable crude oil production.

Appendix 4

Informational Letter ... IL 87-10



Energy Resources
Conservation Board

640 Fifth Avenue SW
Calgary, Alberta
Canada T2P 3G4

Informational IL 87-10 Letter

TO: All Oil and Gas Operators
All Crude Oil Shippers
All Crude Oil and Condensate Pipelines

10 August 1987

MODIFIED PRORATION PLAN

The modified proration plan was introduced by the ERCB on a trial basis in June 1987.

Over the last two months an Industry/ERCB/APMC Task Force has been working with all feeders and extra-provincial oil pipelines in Alberta to implement the program described in Interim Directive ID 87-1 and Informational Letter IL 87-2.

The general consensus at this time is that the program has accomplished its objectives in most cases; however, additional commitment to the communications aspect is required to fine tune the information that is being provided to the pipelines.

The Task Force has revised both Form A and Form B based on the suggestions and recommendations it has received. The new forms are shown in Appendix A. Photocopies of the new forms should be used immediately to communicate any revisions for August and September production and to provide the initial forecasts for later months. Computer-generated forms will continue to be acceptable as long as the data is consistent with the requirement. Appendix A contains an explanation of the terms used on the new forms together with a description of the changes that have been made. The new forms and definitions will ensure a better understanding and description of crude oil and condensate production, thereby enabling shippers to fine tune the Notice of Shipment process.

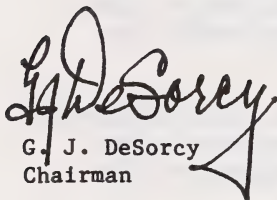
The revised forms will serve to enhance the communications process. However, to ensure the success of the modified proration plan, producers, shippers, and pipelines must strive to improve the forecasts of crude oil and condensate deliveries.

During June and July, forecast volumes have exceeded actual production volumes by about 13 000 cubic metres per day. The result of this over-nomination is causing a loss in Interprovincial Pipe Line (IPL) capacity because IPL is not receiving the expected crude volumes required to maintain scheduled pumping rates. Once IPL has reduced its pumping rate the volumes lost cannot be made up later in the month, resulting in a net reduction in deliveries out of their system.

The Board and the Industry/ERCB/APMC Task Force believe that producers should now be in a position to know production capability and should recognize that the system will only work to the benefit of all participants if the forecasts are accurate.

The success of the program depends on accurate and timely communication between all parties. It is incumbent upon the producer and the shipper to ensure that forecasts reflect real production capability. The Board will continue to monitor the system and, together with the feeder pipelines, will take corrective action if the information required is not provided in an accurate and timely manner.

Any questions relating to these revised forecast requirements should be addressed to the ERCB Economics Department: John Newton, Manager (403-297-2397), Ray Towle (403-297-8578), or Bill Oancia (403-297-3491).



G. J. DeSorcy
Chairman

attachments

APPENDIX A

FORM A - ALBERTA

Form A's should be sent to the location to which the crude oil or condensate is being delivered and not to the shipper.

DEFINITION AND DESCRIPTION OF TERMS

Operator: The party filling out the form, eg. Operator of:

- truck terminal
- cleaning plant
- pipeline connected facility
- pipeline connected to a feeder pipeline
- any producing facility requested to provide a forecast to the location receiving their production

Received From: The location that the party filling out Form A is reporting from, eg. Operator of:

- single well battery identifies the well (battery) location
- a multi-well battery identifies the battery location regardless of well ownership
- a pipeline connected facility identifies that facility
- a truck terminal identifies that terminal
- a cleaning plant identifies that plant

Delivered To: The location that the party filling out Form A is delivering to, eg. Operator of:

- well delivering to battery identifies battery location
- battery delivering to battery identifies receiving battery location
- location delivering to truck terminal or cleaning plant identifies truck terminal or cleaning plant
- location delivering to pipeline connected facility identifies pipeline connected facility
- pipeline connected facility or pipeline connected to feeder pipeline identifies receiving feeder pipeline

Shipper: The recognized owner of the production after it enters a truck terminal, cleaning plant, pipeline connected to a feeder pipeline, or feeder pipeline.

Segregated Condensate: Condensate which is segregated from crude oil and shipped as condensate.

FORM A - ALBERTA (Continued)DESCRIPTION OF CHANGES

- ALBERTA has been included in the heading to eliminate confusion with the SASKATCHEWAN form.
- A Multi-page Block has been included at the top right-hand corner to facilitate operators of more than two connected facilities per pipeline.
- An amendment number (#) has been added to facilitate the pipeline recording process.
- Field delivery point has been divided into a received from and delivered to location. See page 1 for description of usage.
- The word "or" has been included to divide pipeline, truck terminal, and operator field and battery codes. The reason is self-evident in that production is received from or delivered to only one location; therefore, codes should only be inserted in the applicable block.
- In the Shipper description area, Royalty Share has been eliminated. The APMC do not need a breakdown of Royalty and contract oil; therefore, the first line will be total volumes for the APMC. Volumes will be Royalty only, or where producers sell all their production to the APMC, they will be a total of Royalty and contract volumes.
- Segregated condensate has been added to facilitate forecasting of condensate.
- A comments section has been included at the bottom of the form. Turnarounds, workovers, unrateable deliveries, and any other deviation from the normal delivery situation should be noted.
- The form in general has been expanded to facilitate keypunch input and includes all recommended revisions that the committee believed were an improvement to the original form.

FORM B - ALBERTA

Form B's should be sent to shipper receiving the crude oil or condensate and not to the location receiving the production.

DEFINITION AND DESCRIPTION OF TERMS

Operator:	<u>The party filling out the form, eg.</u> Operator of: - cleaning plant - pipeline connected facility - pipeline connected to a feeder pipeline - production facilities delivering to a truck terminal
Shipper:	The recognized owner of the production.
Feeder Pipeline Description:	Name and pipeline code for receiving pipeline.
Pipeline Connected Facility Location:	Name and appropriate code for the facility connected to the feeder pipeline, including truck terminals.
Production From:	The location and producer contracting with the shipper where this information differs from that appended under: - operator - pipeline connected facility location - truck terminal
Segregated Condensate:	Condensate which is segregated from crude oil and shipped as condensate.

FORM B - ALBERTA (Continued)DESCRIPTION OF CHANGES

- ALBERTA has been included in the heading to eliminate confusion with the SASKATCHEWAN form.
- A Multi-page Block and an amendment number (#) have been added as described in the Form A description.
- An ERCB shipper code has been included to facilitate the feeder pipeline keypunch systems.
- Truck terminal and operator field and battery codes have been separated with an "or" to indicate that one or the other, not both, should be used.
- The area designated "Production From" has been changed to allow for a description of ownership to facilitate shipper recognition of producers who ship production through a third-party location or are working interest owners taking production in kind.
- Segregated condensate has been added to facilitate forecasting of condensate.
- A comments section has been included to advise shippers of turnarounds, workovers, unrateable deliveries, or any other deviation from the normal delivery pattern.
- The form in general has been expanded to facilitate keypunch input and includes all recommended revisions that the committee believed were an improvement to the original form.

Truck Terminals, Cleaning Plants, Pipeline Connected Facilities and Feeder Pipeline Systems

Volumes in m³

Appendix 5

Informational Letter ... IL 87-9



Energy Resources
Conservation Board

640 Fifth Avenue SW
Calgary, Alberta
Canada T2P 3G4

Informational Letter

IL 87-9

6 August 1987

To: All Oil and Gas Operators

REVISED PROCEDURES FOR OIL PRODUCTION ALLOWABLE CONTROLS AND NEW OIL WELL PRODUCTION PERIOD

Administration of the revised procedures for oil production allowable controls adopted by the Energy Resources Conservation Board, effective 1 June 1987, have raised a number of questions within industry resulting in many queries to the Board. For clarification purposes, the following is a summary restatement of the administrative changes. This letter supersedes Interim Directive ID 86-1 and Informational Letter IL 87-4. Further questions may be directed to the Board's Oil Department at 297-8566 or the Accounting Department at 297-8345.

Overproduction Penalties

- (1) Production within 10 per cent of the penalized MRL will be recognized as acceptable overproduction for purposes of operating flexibility.
- (2) A 50 per cent overproduction penalty will be applied each month on production exceeding 110 per cent of the penalized MRL. The resulting cumulative overproduction may be retired by producing below the penalized MRL in subsequent months.
- (3) In addition to (2) above, where the cumulative overproduction status of a production entity is more than 10 per cent of the penalized MRL for three consecutive months, an additional penalty of 20 per cent of the cumulative status at the end of the third consecutive month will be applied.
- (4) The 20 per cent penalty identified in (3) will continue to be added for each consecutive month the cumulative status of the entity remains above 10 per cent of the monthly penalized MRL.

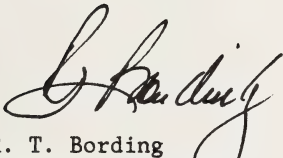
New Oil Well Production Period

- (1) The revised new oil well production period (NOWPP) will consist of the first four months in which production is reported, commencing with the first month in which there is new oil production, and will automatically expire one year from the on-production month.
- (2) During the NOWPP, the provisional MRL (new well rate) assigned to the well will be the greater of 20 m³ per day or the reserve-based MRL (as per PRL formula).
- (3) An operator, upon written notification to the Allowables Section, may have any shut-in month(s) within the NOWPP counted as producing month(s) to reduce the overproduction carried into the first month of normal MRL administration.
- (4) If at some time before the NOWPP expires, the well is added to a pool with an assigned MRL per well higher than its new well rate, the higher MRL will be applicable for the remainder of the period.
- (5) The NOWPP will be applicable only to the first well drilled in a pool in a subsisting drilling spacing unit.
- (6) As previously, the NOWPP will be considered as a single production accounting period for overproduction administration.
- (7) New wells completed within a subsisting PSU, block, or project are not eligible for the NOWPP.
- (8) GOR, or where applicable WOR, penalties will not be applied during the NOWPP. Overproduction penalties will not be assessed during the NOWPP, but any overproduction incurred during this period must be retired.
- (9) Off-target penalty, where applicable, will be applied against the new well rate.
- (10) The GOR, or where applicable, the WOR of the first producing month after the expiration of the test period will be used to determine the penalty factor for that month and the following three months.
- (11) Wells that flare gas in excess of 500 10³ m³ in any month during the NOWPP must be shut in immediately and the continuance of the NOWPP discussed with the Board. The Board would still require a review of the economic feasibility of gas conservation within 60 days of commencement of production as well as restricted flaring in environment-sensitive areas.

- (12) The initial production level (IPL) during the NOWPP will be the production level as noted in the initial production order.

General

- (1) The IPL is not an allowable and is therefore not subject to off-target, GOR, or WOR penalties.
- (2) The IPL cannot be greater than the penalized MRL.
- (3) Where the base MRL of a well, PSU, block or project, is subject to a GOR or, where applicable, a WOR penalty, the penalty factor shall be determined on the basis of production in the third last preceding month.
- (4) Application of an off-target penalty to the MRL may reduce a well below its basic well rate but not normally below 5 m³ per day. Off-target penalties apply from the on-production date of a well. In the case of single well pools, the off-target is not normally applied.
- (5) Revisions to the Allowables Handbook will be published at a later date.



R. T. Bording
Manager, Accounting

Appendix 6

Informational Letter ... IL 87-11

Informational Letter

IL 87-11

27 August 1987

To: All Oil and Gas Operators**RECOGNITION OF CHANGES IN MRL
MODIFIED PRORATION SYSTEM**

At the request of CPA and IPAC the Board has agreed to recognize production due to increases in MRLs earlier than presently prescribed under the Modified Proration Plan (MPP). The Board is now prepared to recognize the production due to an approval of a higher MRL for the month preceding when it would normally be approved in the Initial Production Order. This change is adopted as an interim measure extending to the end of 31 December 1987 and will be reviewed as part of the overall assessment of the MPP scheduled for the last quarter of 1987.

To accommodate this change the Board will be required to manually change the allowable for production entities in the production surveillance process. We propose to continue our surveillance for overproduction recognizing only the MRL set out in the prescribed IP Order and utilizing existing overproduction policy. If operators plan to produce their higher MRL during the month before it is shown in the IP Order, the Board expects those operators to apply for exemption from overproduction.

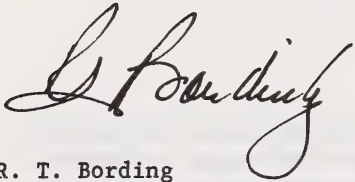
Such applications should include the following information:

- Field
- Pool and Pool Type
- Well I.D. if Single Well
- Block Name and Number if Block
- Project Name and Number if Project
- PSU Name and Number if PSU
- Month/Year of Increased MRL Application
- Increased MRL

To offset the additional cost incurred for manually processing these appeals a fee of \$100 per entity (single well, project, block or PSU) must accompany the request to amend the overproduction.

The Board has received the support from CPA, IPAC and SEPAC to proceed with this interim provision, which will take effect 1 September 1987 and involve MRL applications approved for 1 October 1987.

Applications and questions relating to this issue should be directed to Sandy Wanka at 297-8345.

A handwritten signature in cursive script, appearing to read "R. T. Bording". The signature is written in dark ink and is positioned above the printed name and title.

R. T. Bording
Manager, Accounting

Appendix 7

June–October News Releases



Energy Resources
Conservation Board

640 Fifth Avenue SW
Calgary, Alberta
Canada T2P 3G4

News Release

FOR IMMEDIATE RELEASE

Calgary, 24 June 1987 ...The following summarizes Alberta's oil supply for the months of July and August and the market nominations for July:

	<u>Available Supply</u>		<u>July Nominations</u>
	$10^3 \text{ m}^3/\text{d}$		$10^3 \text{ m}^3/\text{d}$
	<u>July</u>	<u>August</u>	
Light-Medium	134.0	133.0	139.5
Pentanes Plus	14.0	14.0	15.4
Synthetic Crude Oil	31.5	31.6	35.2
Heavy Crude Oil/Bitumen	38.5	38.5	45.2

We estimate that the extra provincial pipeline companies have the following surplus delivery capacity available for July.

<u>Company</u>	<u>Surplus Capacity ($10^3 \text{ m}^3/\text{d}$)</u>
Interprovincial	-
Trans Mountain	4.0
Rangeland	2.0

In total notices of shipment to IPL exceed throughput capacity and IPL advises that apportionment for the month of July will be 10 per cent.

The Board's records indicate that light-medium crude oil production averaged some $123\,000 \text{ m}^3/\text{d}$ for the period 1 June through 7 June. This lower than expected production resulted primarily from plant

more

turnarounds, pipeline maintenance and weather-related power outages. The decreased deliveries resulted in low inventories on the Interprovincial Pipe Line (IPL) system, forcing the pipeline to operate below its throughput capacity.

Production for the period 8 June through 14 June averaged some 137 000 m³/d which resulted in a surge in deliveries to IPL. This increase in deliveries, coupled with the aforementioned loss in capacity, resulted in excessive inventory levels at IPL's Edmonton facilities. Consequently, IPL placed restrictions on the feeder pipelines on Friday, 19 June 1987.

As a result of these unrateable deliveries to IPL, total production for the month of June could be less than the available supply. These events reaffirm the need to maintain rateable deliveries to the extent practicable to maximize production.

Attached for your convenience is a copy of the Industry reporting calendar applicable to production forecasting for the months of June, July and August under the modified market proration plan. The ERCB information phone line service (403-232-8535) will continue to provide updated information on Alberta's oil supply and available pipeline capacities.

- 30 -

For further information contact:

J. W. Newton
Manager
Economics Department
(403) 297-2397

MODIFIED PRORATIONING PLAN - INFORMATION FORECAST REPORTING CALENDAR

FORECAST REQUIREMENT	DUE DATE FOR RECEIPT OF FORECASTS		
	DELIVERY MONTH		
	JUNE '87	JULY '87	AUG. '87
INTEREST OWNERS INFORM PRODUCING BATTERY OPERATOR OF THE COMPANY PURCHASING THEIR CRUDE.	APR 30	MAY 29	JUN 30
PRODUCING BATTERY OPERATORS DELIVERING OIL VIA PIPELINE CONNECTED BATTERIES PROVIDE FORECAST OF DELIVERIES, BY SHIPPER, TO CONNECTED BATTERY OPERATOR USING FORM A.	MAY 5	JUN 5	JUL 6
PRODUCING BATTERY OPERATORS DELIVERING OIL VIA TRUCK TERMINALS PROVIDE FORECAST OF DELIVERIES, BY SHIPPER TO THE TRUCK TERMINAL OPERATOR USING FORM A, AND TO THE SHIPPERS (BUYERS AND/OR APMC) USING FORM B.	MAY 5	JUN 5	JUL 6
OPERATORS OF PIPELINE CONNECTED BATTERIES COMPILE DELIVERY TOTALS BY SHIPPER (INCLUDING BOTH THEIR OWN PRODUCTION AND TRANSFERRED DELIVERIES) AND PROVIDE A FORECAST OF DELIVERIES BY SHIPPER TO THE FEEDER PIPELINE USING FORM A AND TO SHIPPERS (BUYERS AND/OR APMC) USING FORM B.	MAY 8	JUN 9	JUL 9
TRUCK TERMINAL OPERATORS COMPILE DELIVERY TOTALS BY SHIPPER AND PROVIDE FORECAST DELIVERIES TO THE FEEDER PIPELINE USING FORM A.	MAY 8	JUN 9	JUL 9
FEEDER PIPELINES PROVIDE SHIPPERS WITH AGGREGATE TOTALS FROM THE FORECASTS RECEIVED FROM OPERATORS.	MAY 13	JUN 11	JUL 13
SHIPPERS PROVIDE PIPELINES WITH NOTICE OF SHIPMENT.	MAY 15	JUN 15	JUL 15
FEEDER PIPELINES ADVISE SHIPPERS OF DISCREPANCIES BETWEEN NOTICE OF SHIPMENT AND FORECASTS RECEIVED BY FEEDER PIPELINES FROM OPERATORS.	MAY 19	JUN 18	JUL 20
SHIPPERS RECONCILE DIFFERENCES BETWEEN NOTICE OF SHIPMENT AND OPERATOR FORECASTS.	MAY 20	JUN 19	JUL 21

NOTE: DEADLINES FOR RECEIPT OF FORMS A AND B IS **NOON** ON THE DATE SHOWN.

News Release

FOR IMMEDIATE RELEASE

Calgary, 24 July 1987 ...The following summarizes the crude oil supply, demand situation for August.

	<u>Available Supply</u> <u>10³ m³/d</u>	<u>Nominations</u> <u>10³ m³/d</u>
Light-Medium	133.0	152.5
Pentanes Plus	14.0	14.7
Synthetic Crude Oil	32.0	35.1
Heavy Crude Oil/Bitumen	38.5	41.1

Given the supply/demand outlook the extra-provincial pipeline companies have confirmed the following surplus delivery capacity for August.

<u>Company</u>	<u>Surplus Capacity</u> <u>10³ m³/d</u>
Interprovincial	-
Trans Mountain	8.0
Rangeland	1.5

Total notices of shipment to IPL exceed throughput capacity and IPL advises that apportionment for the month of August will be 7.5 per cent.

The Board believes that oil production can be maintained at capacity if production and disposition is maintained at rateable levels.

For general information the attached notes provide a summary of experience to-date with the Modified Proration Plan.

- 30 -

For further information contact:

J.W. Newton
Manager
Economics Department
(403) 297-2397

MODIFIED PRORATION PLAN - JULY UPDATE

The Board and industry are quite encouraged by the progress made in implementing the modified proration plan. The attached table shows the supply/demand picture for the period January-August, 1987. Since introducing the new system on 1 June 1987, shut-in volumes have been reduced and it is expected that such volumes will be negligible in the future.

For the month of June, actual production of light oil varied significantly as shown in the following weekly summary of pipeline receipts.

<u>Week Ending</u>	<u>Average Pipeline Receipts 10³m³/d</u>
7 June	123
14 June	137
21 June	130
28 June	125

Total receipts for June were 128.5 10³m³/d indicating shut-in production of about 4.5 10³m³/d relative to the expected supply of 133 10³m³/d.

The unrateable production evident from the above figures had the following effect:

- o The lower than expected pipeline receipts for the first 10 days of June resulted in IPL reducing downstream deliveries while Edmonton inventories declined to unacceptable levels.
- o IPL receipts increased significantly for the period 10-18 June resulting in excessive inventory levels at IPL's Edmonton facilities.
- o IPL placed restrictions on the feeder pipelines from 20-24 June.
- o The unrateable deliveries to IPL followed by IPL restrictions on the feeder pipelines resulted in shut-in production for June.

The June situation reaffirms the need for rateable deliveries into IPL's system to maximize oil production.

Coordination of deliveries was identified as the most serious problem due to lack of information and poor communication between the various parties during the month of June. To assist in this process, Board staff are compiling data from shippers and feeder pipelines to avoid undue surges in crude oil deliveries into IPL's system. The Statistical Supply Committee has been reviewing the data and providing a market perspective for resolving the problem. In addition, Alberta refineries and other interprovincial pipelines have also been encouraged to schedule their own receipts and deliveries in a more rateable fashion to avoid unnecessary restriction of inputs to the IPL system. Moreover, the feeder pipeline task force is meeting on a regular basis to review the modified proration plan as it applies to the functions of the feeder pipelines.

The Board continues to be concerned that producer forecasts of expected production as reported on Forms A and B are overestimated, as they in total greatly exceed actual receipts over the past few months. This overestimation results in scheduling problems for pipeline facilities and in July, resulted in unnecessary apportionment on the IPL system. Other problems identified relate to duplication and interpretation of forms, data format, and frequency of revisions. A revised set of forms and further clarification of how to complete them, will be issued around the end of July 1987.

The Board believes that with the continued concerted effort of the aforementioned staff and committees, and with improved communication between all parties concerned, problems related to implementation of the modified proration plan will be resolved as experience is gained with the mechanics of the new system.

TABLE 1 ALBERTA LIGHT CRUDE OIL AND EQUIVALENT
AVAILABLE SUPPLY AND DEMAND BY MONTH - 1987
10³m³ per day

Month	Total Available Supply ¹	Nominated Demand	Actual Production	Estimated Shut-in	Unutilized Pipeline Capacity		
					IPL	Trans Mountain	Rangeland
January	189.2	173.5	170.1	19.1	-	-	-
February	187.3	171.9	165.4	21.9	-	-	-
March	181.9	158.3	166.3	15.6	-	2.4	3.0
April	182.2	151.0	166.4	15.8	-	4.4	3.2
May	181.0	161.1	170.4	10.6	5.0	7.0	3.5
June	182.0	186.8	177.5	4.5	-	1.5	1.5
July	181.0	187.7	N.A.	0 ²	-	4.0 ²	2.0 ²
August	179.0	195.2	N.A.	0 ²	-	8.0 ²	1.5 ²

1. In May, 1987 the ERCB's estimate of available supply of Alberta light and medium crude oil was increased by 6800 m³/d for the 1987 period.

2. Preliminary Estimates.

FOR IMMEDIATE RELEASE

Calgary, 24 August 1987 ...The following summarizes the crude oil supply/demand situation for September.

	<u>Available Supply</u> <u>10³ m³/d</u>	<u>Nominations</u> <u>10³ m³/d</u>
Light-Medium	132.0	139.8
Pentanes Plus	13.4	13.5
Synthetic Crude Oil	20.9	23.8
Heavy Crude Oil/Bitumen	39.1	47.4

Given the supply/demand outlook, the extra-provincial pipeline companies have confirmed the following surplus delivery capacity for September.

<u>Company</u>	<u>Surplus Capacity</u> <u>10³ m³/d</u>
Interprovincial	-
Trans Mountain	1.0
Rangeland	2.5

Syncrude is planning a maintenance shutdown during the month of September, and in conjunction with the reduced synthetic crude oil supply, there will also be some Alberta refinery maintenance shutdowns. The net result should be offsetting thereby helping to retain a balance in the remainder of the crude oil supply/demand picture.

The Board believes that oil production can be maintained at capacity if production and disposition are maintained at rateable levels.

- 2 -

For general information the attached notes provide a summary of experience to-date with the Modified Proration Plan. Also attached for your convenience is a copy of the Industry reporting calendar applicable to production forecasting for the remainder of the year.

- 30 -

For further information contact:

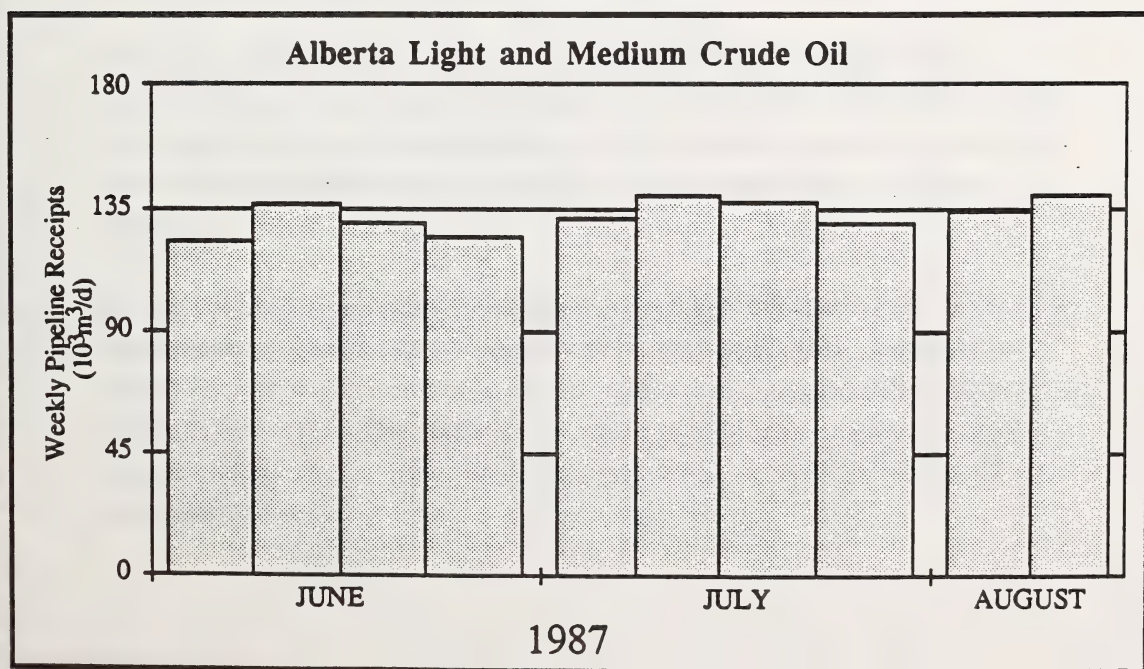
J.W. Newton
Manager
Economics Department
(403) 297-2397

MODIFIED PRORATION PLAN AUGUST UPDATE

The Board and industry continue to be encouraged by the progress made in implementing the modified proration plan. There was no shut-in oil in July, and it is expected that this situation will continue in the future. The attached table shows the supply/demand picture for the period January-September, 1987.

Unresolved problems affecting the implementation of the modified proration plan include unrateable production and overly optimistic production forecasts. Over estimated production translates into excessive notices of shipment, which are in turn used by pipeline companies to determine pumping rates and delivery schedules. Lower than expected production, typically evident during the first and last parts of the month, adversely affects pipeline capacity and operating inventories and could result in shut-in oil.

Since the new program started in June 1987 actual deliveries of light oil have varied as shown in the following graph of weekly pipeline receipts:



Unrateable production led to IPL feeder pipeline restrictions in June and a low inventory carry over into July. Low receipts for the first part of July, combined with excessive production estimates, resulted in lower than desired inventory levels throughout the month of July. To date, August has mirrored the July situation.

Board staff are continuing to compile data from shippers and feeder pipelines in an effort to stabilize crude oil deliveries into IPL's system. The Statistical Supply Committee has been reviewing the data and providing a market perspective for resolving the problem. In addition, Alberta refineries and other interprovincial pipelines have been encouraged to schedule their own receipts and deliveries in a more rateable fashion to complement required inputs to the IPL system. Moreover, the Feeder Pipeline Task Force is meeting on a regular basis to review the modified proration plan as it applies to the functions of feeder pipelines.

The Board continues to be concerned that producer forecasts of expected production, as reported on Forms A and B, are overestimated in total, as they greatly exceed actual receipts over the past few months. This over-estimation results in scheduling problems for pipeline facilities.

The Board believes that with the continued effort of staff and committees, and with improved communication between all of the parties, problems related to implementation of the modified proration plan will be resolved as experience is gained with the mechanics of the new system.

On the 10th of August 1987 the ERCB issued two Informational Letters concerning the Modified Proration Plan. Informational Letter IL 87-9 describes the Board's procedures on production surveillance and IL 87-10 provides copies of the forms to be completed by the industry. The industry reporting schedule for the remainder of 1987 is shown in the attached Table 2.

TABLE 1
ALBERTA LIGHT CRUDE OIL AND EQUIVALENT.
AVAILABLE SUPPLY AND DEMAND BY MONTH - 1987
10³m³ per day

Month	Total Available Supply ¹	Nominated Demand	Actual Production	Estimated Shut-in	Unutilized Pipeline Capacity		
					IPL	Trans Mountain	Rangeland
January	189.2	173.5	170.1	19.1	-	-	-
February	187.3	171.9	165.4	21.9	-	-	-
March	181.9	158.3	166.3	15.6	-	2.4	3.0
April	182.2	151.0	166.4	15.8	-	4.4	3.2
May	181.0	161.1	170.4	10.6	5.0	7.0	3.5
June	182.0	186.8	177.5	4.5	5.0 ³	1.5	1.5
July	180.3	187.7	180.3	0	-	4.0	2.0
August	179.0	195.2	N.A.	0 ²	-	8.0 ²	1.5 ²
September	166.0		N.A.	0 ²	-		

1. In May, 1987 the ERCB's estimate of available supply of Alberta light and medium crude oil was increased by 6800 m³/d for the 1987 period.

2. Preliminary Estimates.

3. Estimated loss of capacity due to unrateable deliveries into the IPL system during the first week of June.

TABLE 2 MODIFIED PRORATION PLAN - INFORMATION FORECAST REPORTING CALENDAR

<u>FORECAST REQUIREMENT</u>	<u>DUE DATE FOR RECEIPT OF FORECASTS</u>			
	<u>DELIVERY MONTH</u>			
	<u>SEPT '87</u>	<u>OCT '87</u>	<u>NOV '87</u>	<u>DEC '87</u>
INTEREST OWNERS INFORM PRODUCING BATTERY OPERATOR OF THE COMPANY PURCHASING THEIR CRUDE.	JULY 31	AUG 31	SEPT 30	OCT 30
PRODUCING BATTERY OPERATORS DELIVERING OIL VIA PIPELINE CONNECTED BATTERIES PROVIDE FORECAST OF DELIVERIES, BY SHIPPER, TO CONNECTED BATTERY OPERATOR USING FORM A.	AUG 6	SEPT 4	OCT 5	NOV 5
PRODUCING BATTERY OPERATORS DELIVERING OIL VIA TRUCK TERMINALS PROVIDE FORECAST OF DELIVERIES, BY SHIPPER TO THE TRUCK TERMINAL OPERATOR USING FORM A, AND TO THE SHIPPERS (BUYERS AND/OR APMC) USING FORM B.	AUG 6	SEPT 4	OCT 5	NOV 5
OPERATORS OF PIPELINE CONNECTED BATTERIES COMPILE DELIVERY TOTALS BY SHIPPER (INCLUDING BOTH THEIR OWN PRODUCTION AND TRANSFERRED DELIVERIES) AND PROVIDE A FORECAST OF DELIVERIES BY SHIPPER TO THE FEEDER PIPELINE USING FORM A AND TO SHIPPERS (BUYERS AND/OR APMC) USING FORM B.	AUG 11	SEPT 10	OCT 8	NOV 10
TRUCK TERMINAL OPERATORS COMPILE DELIVERY TOTALS BY SHIPPER AND PROVIDE FORECAST DELIVERIES TO THE FEEDER PIPELINE USING FORM A.	AUG 11	SEPT 10	OCT 8	NOV 10
FEEDER PIPELINES PROVIDE SHIPPERS WITH AGGREGATE TOTALS FROM THE FORECASTS RECEIVED FROM OPERATORS.	AUG 13	SEPT 14	OCT 14	NOV 13
SHIPPERS PROVIDE PIPELINES WITH NOTICE OF SHIPMENT.	AUG 17	SEPT 16	OCT 16	NOV 16
FEEDER PIPELINES ADVISE SHIPPERS OF DISCREPANCIES BETWEEN NOTICE OF SHIPMENT AND FORECASTS RECEIVED BY FEEDER PIPELINES FROM OPERATORS.	AUG 20	SEPT 21	OCT 21	NOV 19
SHIPPERS RECONCILE DIFFERENCES BETWEEN NOTICE OF SHIPMENT AND OPERATOR FORECASTS.	AUG 21	SEPT 22	OCT 22	NOV 20

NOTE: DEADLINES FOR RECEIPT OF FORMS A AND B IS NOON ON THE DATE SHOWN.



Energy Resources
Conservation Board

640 Fifth Avenue SW
Calgary, Alberta
Canada T2P 3G4

News Release

FOR IMMEDIATE RELEASE

Calgary, 24 September 1987 ...The following summarizes the crude oil supply/demand situation for October.

	<u>Available Supply</u> <u>10³ m³/d</u>	<u>Nominations</u> <u>10³ m³/d</u>
Light-Medium	132.0	134.9
Pentanes Plus	16.0	16.0
Synthetic Crude Oil	28.5	29.5
Heavy Crude Oil/Bitumen	39.2	42.0

Given the supply/demand outlook, the extra-provincial pipeline companies have confirmed the following surplus delivery capacity for October.

<u>Company</u>	<u>Surplus Capacity</u> <u>10³m³/d</u>
Interprovincial	5.0
Trans Mountain	3.0
Rangeland	2.0

The Board continues to emphasize that oil production can be maintained at capacity if production and disposition are maintained at rateable levels and production estimates are as accurate as possible.

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For general information the attached notes provide a summary of experience to-date with the Modified Proration Plan. Also attached for your convenience is a copy of the Industry reporting calendar applicable to production forecasting for the remainder of the year.

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For further information contact:

J.W. Newton
Manager
Economics Department
(403) 297-2397

MODIFIED PRORATION PLAN

SEPTEMBER UPDATE

The Board and Industry continue to monitor the performance of the modified proration plan. Generally the progress to date has been very encouraging. Volumes of shut-in oil have been reduced to zero since July as indicated in Table 1. However, the problems of optimistic production forecasts and unrateable production continue from month to month causing operating and scheduling difficulties for the pipeline companies.

Board staff has contacted all the feeder pipelines and major shippers to discuss the problems affecting the implementation of the modified proration plan. As a result of those discussions, the Board is now receiving and monitoring pipeline and shipper reports on daily production and disposition as well as estimated and actual production. Meetings are held with the Feeder Pipeline Task Force to periodically review the Board and Industry monitoring programs. The parties are in agreement that the monitoring program is having a positive effect and therefore the Board and Industry are hopeful that the problems encountered to-date will be resolved.

The Board's contacts with industry have disclosed that some operators are submitting production estimates (Form A) that are knowingly over optimistic in the belief that this practice would ensure pipeline space in times of apportionment. The Board notes that with the completion of the Phase III expansion program in October the capacity on the IPL system is expected to be increased by some $10 \times 10^3 \text{ m}^3/\text{d}$. The Board wishes to emphasize that with the current supply/demand picture combined with the acknowledged available capacities on the various pipeline systems, all the available crude oil should be able to enter the pipeline system, provided that it is covered by a proper notice of shipment and with a verified destination. Overestimating production to ensure pipeline space is a practise that is not only unnecessary but it may ultimately result in pipeline pumping adjustments during the month, shipper shortages to end destination customers, large variations in pipeline inventories and shut in production.

Forms A and B were revised with the issuance of IL 87-10. The revisions were intended to provide more information; however, comments received indicate further explanation is required. "Location and producer contracting with above shipper" on Form B under "Production From" applies to deliveries to truck terminals only. If this information is readily available for Batteries delivering to Connected Facilities it should be provided. If the information is not readily available or would cause a repeat of the Production Accounting Cycle then the Battery location is all that is necessary in this space.

The intent of the modified proration plan reporting requirements is to forecast deliveries to pipelines, not reproduce an accounting statement. This can be accomplished if all parties ensure the information provided in the forecast is accurate and timely.

TABLE 1 ALBERTA LIGHT CRUDE OIL AND EQUIVALENT
AVAILABLE SUPPLY AND DEMAND BY MONTH - 1987
10³m³ per day

Month	Total Available Supply Forecast ¹	Nominated Demand	Actual Production	Estimated Shut-in	Unutilized Pipeline Capacity		
					IPL	Trans Mountain	Rangeland
January	189.2	173.5	170.1	19.1	-	-	-
February	187.3	171.9	165.4	21.9	-	-	-
March	181.9	158.3	166.3	15.6	-	2.4	3.0
April	182.2	151.0	166.4	15.8	-	4.4	3.2
May	181.0	161.1	170.4	10.6	5.0	7.0	3.5
June	182.0	186.8	177.5	4.5	5.0 ²	1.5	1.5
July	179.5	187.7	180.3	0	-	4.0	2.0
August	179.0	195.2	184.7	0	-	8.0	1.5
September	166.3	184.7	N.A.	0 ³	-	1.0	2.5
October	176.5	180.0	N.A.	0 ³	5.0 ³	3.0 ³	2.0 ³

1. In May, 1987 the ERCB's estimate of available supply of Alberta light and medium crude oil was increased by 6800 m³/d for the 1987 period.
2. Estimated loss of capacity due to unrateable deliveries into the IPL system during the first week of June.
3. Preliminary Estimates.

TABLE 2 MODIFIED PRORATION PLAN - INFORMATION FORECAST REPORTING CALENDAR

FORECAST REQUIREMENT	DUE DATE FOR RECEIPT OF FORECASTS DELIVERY MONTH			
	<u>SEPT '87</u>	<u>OCT '87</u>	<u>NOV '87</u>	<u>DEC '87</u>
INTEREST OWNERS INFORM PRODUCING BATTERY OPERATOR OF THE COMPANY PURCHASING THEIR CRUDE.	JULY 31	AUG 31	SEPT 30	OCT 30
PRODUCING BATTERY OPERATORS DELIVERING OIL VIA PIPELINE CONNECTED BATTERIES PROVIDE FORECAST OF DELIVERIES, BY SHIPPER, TO CONNECTED BATTERY OPERATOR USING FORM A.	AUG 6	SEPT 4	OCT 5	NOV 5
PRODUCING BATTERY OPERATORS DELIVERING OIL VIA TRUCK TERMINALS PROVIDE FORECAST OF DELIVERIES, BY SHIPPER TO THE TRUCK TERMINAL OPERATOR USING FORM A, AND TO THE SHIPPERS (BUYERS AND/OR APMC) USING FORM B.	AUG 6	SEPT 4	OCT 5	NOV 5
OPERATORS OF PIPELINE CONNECTED BATTERIES COMPILE DELIVERY TOTALS BY SHIPPER (INCLUDING BOTH THEIR OWN PRODUCTION AND TRANSFERRED DELIVERIES) AND PROVIDE A FORECAST OF DELIVERIES BY SHIPPER TO THE FEEDER PIPELINE USING FORM A AND TO SHIPPERS (BUYERS AND/OR APMC) USING FORM B.	AUG 11	SEPT 10	OCT 8	NOV 10
TRUCK TERMINAL OPERATORS COMPILE DELIVERY TOTALS BY SHIPPER AND PROVIDE FORECAST DELIVERIES TO THE FEEDER PIPELINE USING FORM A.	AUG 11	SEPT 10	OCT 8	NOV 10
FEEDER PIPELINES PROVIDE SHIPPERS WITH AGGREGATE TOTALS FROM THE FORECASTS RECEIVED FROM OPERATORS.	AUG 13	SEPT 14	OCT 14	NOV 13
SHIPPERS PROVIDE PIPELINES WITH NOTICE OF SHIPMENT.	AUG 17	SEPT 16	OCT 16	NOV 16
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FOR IMMEDIATE RELEASE

Calgary, 23 October 1987 ...The following summarizes the crude oil supply/demand situation for November.

	<u>Available Supply</u> <u>10³ m³/d</u>	<u>Nominations</u> <u>10³ m³/d</u>
Light-Medium Crude Oil	135.0	141.7
Pentanes Plus	16.8	18.4
Synthetic Crude Oil	21.0	26.3
Heavy Crude Oil/Bitumen	39.4	33.7

The estimate for light-medium crude oil supply has been established at a higher level by some 4000 m³/d considering the actual production data since July. The estimate for synthetic crude oil supply is decreased due to the shut-down of the Suncor plant as a result of a fire.

Given the supply/demand outlook, the extra-provincial pipeline companies have stated that apportionment for the month of November is unnecessary and have confirmed the following surplus delivery capacities.

<u>Company</u>	<u>Surplus Capacity</u> <u>10³ m³/d</u>
Interprovincial	5.0
Trans Mountain	-
Rangeland	3.0

The Board continues to emphasize that oil production can be maintained at capacity if production and disposition are maintained at rateable levels and production estimates are as accurate as possible.

- 2 -

For general information the attached notes provide a summary of experience to-date with the Modified Proration Plan. Also attached for your convenience is a copy of the Industry reporting calendar applicable to production forecasting for the remainder of the year.

- 30 -

For further information contact:

J.W. Newton
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(403) 297-2397

MODIFIED PRORATION PLAN OCTOBER UPDATE

The Board and Industry continue to monitor the performance of the Modified Proration Plan (MPP). The Industry/APMC/ERCB Task Force on Prorationing is currently assessing the performance of the MPP and an announcement will be made in November concerning the period commencing 1 January 1988.

The results of the monitoring to date indicate that shut-in volumes continue to be eliminated (refer to Table 1), that communication problems between all parties are being corrected and that unfettered negotiations are taking place between producers and buyers of crude oil.

The Board continues to rely on the good effort and improved communication by all parties concerned so that remaining problems associated with the transition to the Modified Proration Plan are resolved.

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June	182.0	186.8	177.5	4.5	5.0 ²	1.5
July	179.5	187.7	180.3	0	4.0	2.0
August	179.0	195.2	184.7	0	8.0	1.5
September	166.3	184.7	171.3	0	1.0	2.5
October	177.0	180.5	N.A.	0 ³	5.0	2.0
November	172.8	186.4	N.A.	0 ³	5.0	3.0

1. In May, 1987 the ERCB's estimate of available supply of Alberta light and medium crude oil was increased by 6800 m³/d for the 1987 period. Further adjustment in October based on actual production and Suncor plant fire.

2. Estimated loss of capacity due to unrateable deliveries into the IPL system during the first week of June.

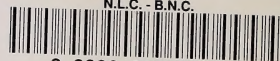
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NLC - B.N.C.



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